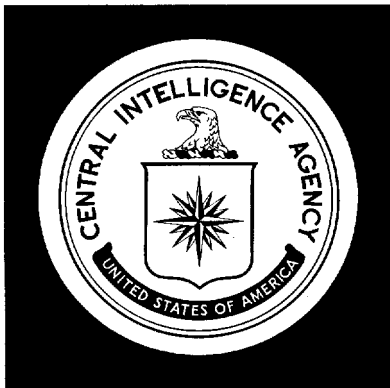


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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Nº 42

25 May 1972

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Approved For Release 2003/08/05 : CIA-RDP79T00975A022000010001-5

Approved For Release 2003/08/05 : CIA-RDP79T00975A022000010001-5

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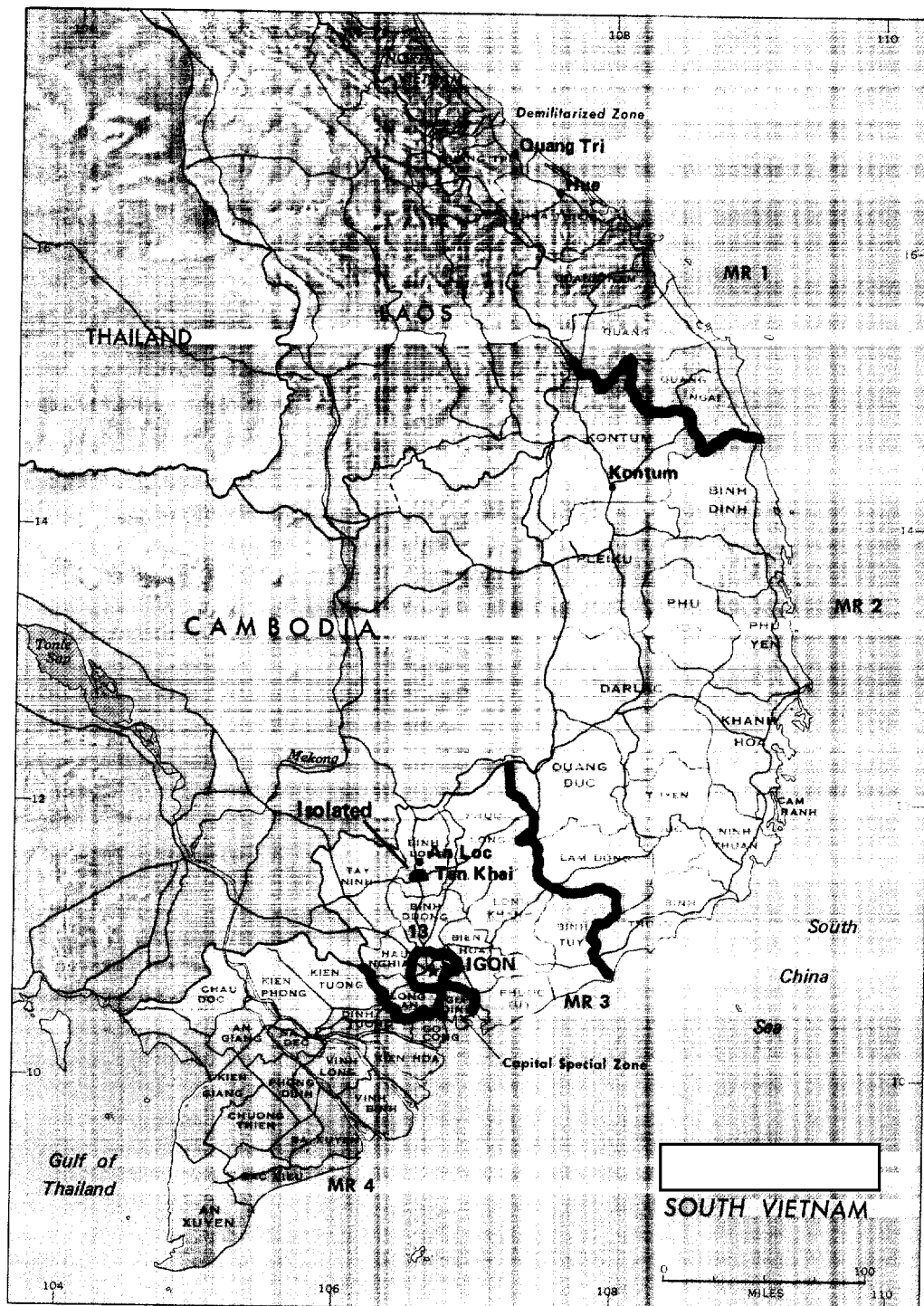
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VIETNAM: South Vietnamese forces continue to gain in the north but are making little progress in countering Communist pressure in the southern provinces.

The three-battalion operation by South Vietnamese marines launched behind enemy lines in Quang Tri Province on 23 May reportedly has caused heavy Communist losses of troops, equipment, and food-stuffs. The South Vietnamese are now moving back toward friendly lines, reportedly accompanied by some 5,000 civilians.

In Military Region 3, the South Vietnamese units that had been making perceptible progress toward the relief of An Loc in recent days are now encountering stiffened enemy resistance. One government strongpoint along the relief route is said to have been isolated by the Communists, while sharp clashes just south of An Loc have stopped the lead elements of the relief force.

On the political front, the government is still trying to secure the necessary votes and abstentions on President Thieu's emergency powers bill to ensure successful passage of the measure, but its prospects remain in doubt. Some compromise on the terms of the bill may prove possible in order to secure passage, but Thieu could also abandon the project and attempt to achieve his objectives by issuing decrees on his own authority.

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SOUTH ASIA: Dacca hopes to start trials soon of Pakistani prisoners in India accused of war crimes, but New Delhi has not announced any plans for handing the prisoners over.

According to the Bangladesh home minister, the trials are to begin sometime in July. He said that investigations of about 100 Pakistani Army officers have been completed and that other investigations are in progress.

India is holding about 93,000 Pakistanis captured during the war last December, including over 70,000 members of the Pakistani Army. President Bhutto has declared the early release of the prisoners is one of his chief objectives. He has emphasized that if any prisoners are turned over to the Dacca regime for trial, the prospects for his summit talks with Prime Minister Gandhi would be seriously jeopardized.

New Delhi's position, on the other hand, is that the POWs are in joint Indian-Bangladesh custody, and that the Dacca authorities have the right to try those accused of war crimes. Mrs. Gandhi's government, aware of the strong popular demand in Bangladesh for punishment of war criminals, has said it is willing to give the Dacca government custody of prisoners against whom there are well-documented cases. The Indians have not yet committed themselves to a timetable, however. Presumably they will be reluctant, prior to the summit, to risk provoking a Pakistani cancellation by announcing specific plans for handing over prisoners to Bangladesh.

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VENEZUELA: The return of ex-president Betancourt and ex-dictator Perez Jimenez from self-imposed exile promises to intensify the recent surge of political activity.

Students are again in the streets, and over 50 bombs set off by small ragtag terrorist groups in the past two weeks have taken a heavy property toll. In addition, anti-Americanism is increasingly evident. The presence of Betancourt and Perez Jimenez, who have returned to take soundings for the 1973 election, increases the likelihood of more violence.

The competition and unpredictability built into Venezuela's multi-party system will assume new magnitudes if the two arch-enemies decide to throw in their hats. Perez' arrival in Caracas this week will diminish the widespread belief that he is too cowardly to face the security hazards of a personal campaign and further motivate the pro-Perez groups who sense that the electorate wants a return to the "good old days." Perez' brutal ten-year rule until his ouster in 1958 seems largely forgotten by groups disenchanted with the democratic process. On the other hand, Betancourt, the first popularly elected president to serve out a full term in Venezuela, remains a heroic figure for many of his compatriots and would be a tough candidate for anyone to beat.

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BURUNDI: Mass arrests and executions of Hutus by the Tutsi-dominated government are continuing throughout the country.

The government moved to eliminate Hutu leadership shortly after the outbreak of an insurrection a month ago that apparently was led by dissident Hutu survivors of similar attempts in 1965 and 1969. Virtually all Hutus in the government and the army have either been killed or marked for execution. Some isolated rebel elements still exist in several areas south of the capital, but they have been reduced to banditry. The army has used the presence of these elements as an excuse to carry out reprisals against the Hutu population. There have also been intensified anti-Hutu sweeps in the capital.

President Micombero has thus far not taken any action to stop the slaughter, despite appeals from Western diplomatic representatives in Bujumbura. His handling of the insurrection, moreover, recently received public support from neighboring Tanzania and Zaire, as well as Somalia and the OAU secretary-general. Estimates of Hutus killed range from 30,000 to 100,000; there is in fact no way of knowing how many people have died.

So far, the majority of Burundi's 3,000,000 Hutus has not taken up arms against the Tutsis, exhibiting what appears to be a fatalism born of years of feudal servitude to Tutsi authority. The Tutsis number about 600,000. Nevertheless, the slaughter could still trigger sporadic resistance if not a mass uprising by the Hutus.

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UK-RHODESIA: The Pearce Commission's negative report on Rhodesia returns the participants in the seven-year-old dispute to square one.

The commission's finding that the Rhodesian people "as a whole" rejected the accord between the UK and Rhodesia last November was denounced by Rhodesian Prime Minister Smith. London, however, has reluctantly accepted the report's conclusion. Foreign Secretary Douglas-Home told Parliament that economic sanctions would continue, and he expressed the hope that a peaceful multi-racial society in Rhodesia is still possible. Nonetheless, he recognized that the chances for this are slim.

So far, black African reaction to the report has been favorable, but the African states may call for a meeting of the Security Council after further discussion at the meeting next month of the Organization of African Unity. London is likely to adopt a low profile and to watch developments in Rhodesia and the UN. The government is authorized to participate in the UN sanctions until November, when British participation will have to be renewed in Westminster. The opposition Labor Party will support the government at that time, but Prime Minister Heath undoubtedly will face opposition to continued sanctions from many Tory MPs. They will argue that sanctions are too expensive and are widely violated by other countries.

Although Douglas-Home declared that "no door should be closed" to a future settlement, the present obstacles seem insurmountable. The Smith government firmly opposes either unilateral implementation of the settlement proposals or further negotiations. The ruling Rhodesian Front Party probably will move further to the right, placing tighter controls over blacks. For example, Salisbury probably will resume the piecemeal eviction of Africans

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from white-designated lands, and ban, or sharply restrict, the activities of the African National Congress, which led the fight against the settlement during the Pearce Commission hearings. [REDACTED]

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JAPAN: In moves to implement its new economic program, Tokyo plans to release \$3 billion of its foreign exchange holdings over the next six months and to reduce the discount rate by one-half percent.

About \$1.5 billion will be deposited in Japanese commercial banks, largely to repay short-term debts to the US. Another \$1 billion will be used for funding exploration for oil and minerals by semi-official corporations operating overseas. The remainder will go to the Export-Import Bank of Japan. The cut in the discount rate is designed mainly to induce Japanese businessmen to borrow domestically by making Japan's lending rates competitive with those of the US. These actions could result in a net reduction in Japan's foreign reserves over the six-month period despite expected large trade surpluses.

These moves, after the announcement last week of a new economic program, indicate the seriousness with which Tokyo views pressure for another yen revaluation. These monetary measures, however, will be easier to implement than other parts of the program. It will be more difficult for Japan to achieve the orderly marketing of exports and liberalization of controls on imports of certain manufactures and agricultural commodities.

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GUYANA: Prime Minister Burnham's growing frustration over domestic criticism could impel him to bring increased pressure on the opposition.

He has stated publicly that opposition to his policies would not be tolerated.

On the other hand, he has been subjected to increasing criticism in recent months and has been plagued by a bickering and generally ineffective cabinet. Burnham's problems include high unemployment, difficulties in running the nationalized bauxite facility, a threatened layoff by the Reynolds bauxite mining company, and serious flooding in the eastern part of the country.

He is probably using this threat to emphasize his dissatisfaction with the performance of his cabinet. He could be testing the waters for a move to increase his personal authority within the government, possibly with a view to overhauling the cabinet or even calling new elections.

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IRAN: City and provincial elections are to be held throughout the country late next month, and there are a few signs that they will be more open than the contests for parliamentary seats last year.

The opposition Mardom Party, which holds 36 of 268 seats in parliament, has been hitting hard at the ruling Iran Novin Party, blaming it for the increasing cost of living. Mardom has also criticized the ruling party for its failure to implement the Shah's reform program. Both of these are particularly sensitive issues. A strong campaign by the opposition is new to Iran, and opposition speeches have received enthusiastic popular response. An indicator of Mardom's appeal was a recent switch from Iran Novin to Mardom of two trade unions in the important port city of Khorramshahr.

The Mardom Party has reportedly threatened to withdraw all its candidates if it appears that Tehran intends to dictate the elections to all seats on the new local councils. These councils, which are supposed to decentralize political power in Iran, actually have limited and vague powers. The Shah would want to avoid a withdrawal by the opposition, mainly because he sees a two-party system as a necessary trapping for a democratic Iran. In addition, there are large numbers of seats being contested in these elections, and this would seem to make control more difficult.

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USSR-MEDITERRANEAN: Most of the nine submarines and four surface ships now off the coast of Portugal probably will enter the Mediterranean soon. These ships, part of the relief force the Soviets send to the Mediterranean every five or six months, left Northern Fleet waters in early May. The majority of the submarines will operate in the Mediterranean, but at least one of the F-class diesel units may be bound for the Caribbean. During the last semi-annual turnover, one of the F-class submarines did not enter the Mediterranean but eventually arrived in Cuba after operating in the Atlantic for two months.

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